

Bupa Arabia for Cooperative Insurance Co. (Bupa Arabia)

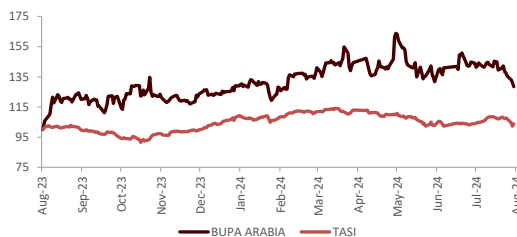
Recommendation

Hold

Current Market Price (SAR)	217.8
52wk High / Low (SAR)	284.6/169.8
Mkt. Cap. (USD/SAR Mn)	8,707/32,670
Shares Outstanding (mn)	150.0
Free Float (%)	56.5%
3m Average Vol. (000)	145.7
3m Avg Daily Turnover (SAR'000)	35,453
Dividend Yield '24e (%)	2.8%
P/E'24e (x)	27.0

Source: Bloomberg

Relative Price Performance



Key Indicators

SAR (mn)	2022	2023	2024e	2025e
Insurance revenue	12,873	15,888	18,271	20,463
Insurance service expense	(12,206)	(14,994)	(16,955)	(18,826)
Insurance service result	638	865	1,283	1,601
Insurance service result Margin (%)	5%	5%	7%	8%
Net investment results	552	513	450	450
Net insurance and investment results	1,190	1,378	1,733	2,051
Net Income	805	940	1,211	1,459
Net margin	6%	6%	7%	7%
EPS (SAR)	5.37	6.27	8.07	9.73
ROE (%)	18%	20%	24%	26%

Source: Company Reports, Yaqeen Capital

Major Shareholders (%)

Bupa Investment Overseas Ltd	43.25%
Nazir Holding Group	5.01%

Source: Bloomberg, Yaqeen Capital

Profits rose driven by higher insurance service result

- Bupa Arabia's net income increased by 9.0% YoY and 12.6% QoQ, reaching SAR 405mn in 2Q2024. This rise was primarily due to higher net insurance service results and increased net investment returns, despite higher other operating expenses. The net margin decreased by 0.7ppts YoY but increased by 0.7ppts QoQ to 8.9%.
- Insurance revenue grew by 17.4% YoY and 4.3% QoQ to SAR 4,562mn in 2Q2024, mainly driven by business growth and an increase in insured lives.
- Insurance service results rose to SAR 377mn, marking a 1.4% YoY and a 17.3% QoQ increase in 2Q2024. This growth was largely driven by business expansion and an increase in insured lives. The insurance results margin declined by 1.3ppts YoY and 0.9ppts QoQ to 8.3%.
- Net investment income increased by 48.6% YoY and 15.6% QoQ, reaching SAR 183mn in 2Q2024.
- Other operating expenses rose by 41.6% YoY and 43.1% QoQ to SAR 108mn in 2Q2024, due to increased spending to support business growth.
- Gross written premiums (GWP) increased by 6.8% YoY but decreased by 50.1% QoQ to SAR 3,617mn in 2Q2024.
- For 1H2024, net income grew by 36.4% YoY to SAR 764mn, driven by higher insurance service results and business growth, along with an increase in insured lives. Net investment results also improved significantly. However, these gains were partially offset by higher operating expenses and a decrease in net other revenue. The net income margin rose by 1.2ppts YoY to 8.5%.
- For 1H2024, insurance revenue increased by 17.1% YoY to SAR 8,936mn, primarily due to business growth and an increase in insured lives.

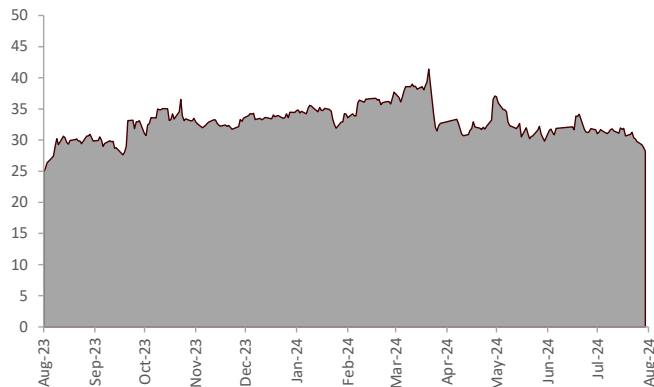
Outlook & Valuation: The health insurance market in Saudi Arabia is growing rapidly, fueled by mandatory medical insurance for private sector employees and their dependents. This trend is expected to continue, with potential enforcement improvements potentially adding more people to the insurance market in the coming years. As a market leader, Bupa Arabia stands to gain significantly, with anticipated growth in gross written premiums (GWP) in the medium to long term. We maintain a positive outlook due to strong growth prospects, a robust investment portfolio, increasing profitability, and attractive dividends. Based on the Residual income valuation, we arrive at a fair value of SAR 236.0/share, offering an upside of 8.4% from the current level. Hence, we recommend a Hold rating on the stock.

Financial Summary

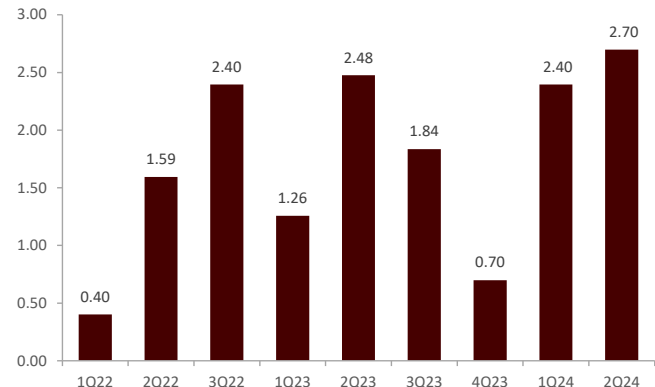
SAR (mn)	2Q2024	2Q2023	YoY	1Q2024	QoQ
Insurance revenue	4,562	3,885	17%	4,374	4%
Insurance service expense	(4,172)	(3,502)	19%	(4,036)	3%
Insurance service result	377	372	1%	322	17%
Insurance service result Margin (%)	8%	10%		7%	
Net investment results	183	123	49%	158	16%
Net insurance and investment results	560	495		480	
Net Income	405	371	9%	359	13%
Net margin (%)	9%	10%		8%	
EPS (SAR)	2.70	2.48	9%	2.40	13%

Source: Company Reports, Yaqeen Capital

Price to Earnings Ratio Trend



EPS (SAR) Trend



Rating Methodology

Buy: The Target share price exceeds the current share price by $\geq 10\%$

Hold: The Target share price is either more or less than the current share price by 10%

Sell: The Target share price is less than the current share price by $\geq 10\%$

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